

Prudential Authority Industry Quarterly Newsletter

December 2021

New appointment

Introducing Olatse Matshane – Head of Department: Policy, Statistics and Industry Support

Ms Olatse Matshane joined the Prudential Authority in October 2021 from National Treasury, where she was the Chief Director in the Financial Sector Policy Division. In this role, she was responsible for financial inclusion, market conduct as well as consumer financial education, which cut across payments, retail credit, insurance, banking, financial sector ombuds, fintech, retirement funds, collective investment schemes and medical schemes.

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Mutual Evaluation Report in respect of South Africa

Reconsideration of decisions by the Financial Services Tribunal

The Financial Action Task Force (FATF) monitors countries to ensure full and effective implementation of the FATF standards. The fourth quarter of 2021 saw the greatly anticipated publication of the FATF and Eastern and Southern Africa Anti-Money Laundering Group's Mutual Evaluation Report (MER). The MER highlighted areas for improvement across many stakeholders, including the Prudential Authority. These improvements included market entry controls, the understanding of terrorist financing risk, and applying a risk-based approach within South Africa.

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The Prudential Authority (PA) seeks to timeously identify prudential risks and noncompliance by financial institutions for which it is the responsible authority. Even though the PA is not an enforcement-led authority, it needs to ensure that it delivers on its statutory objectives. While the PA makes every effort to ensure that all decisions it takes are lawful, reasonable and procedurally fair, a person aggrieved by a decision taken by the PA has the right to apply to the Financial Services Tribunal (Tribunal) for a reconsideration of the decision.

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Prudential Authority funding model: fees and levies

An effective regulatory system requires regulators to be adequately funded. This allows them to function effectively. The Levies Bill provides for a funding model of the Prudential Authority. National Treasury is finalising this Bill, which is envisaged to come into effect on 1 April 2022. Preparation for the commencement of this Bill is underway. Industry will be engaged on the process for collecting the levies during the second quarter of 2022.



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Operational risk and information technology risk

The Operational Risk Division (operational risk, IT risk, (Risk Data Aggregation and Risk Reporting) RDARR and representative offices) within the Prudential Authority (PA) has been involved in several activities since the beginning of the year, which include regulatory instruments, maturity assessment questionnaires and numerous engagements with internal and external stakeholders.

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Update on microinsurance applications

The Prudential Authority (PA) has received applications by entities to be licensed to conduct microinsurance business in South Africa. The content of the applications is considered in line with the objectives of the Financial Sector Regulation Act 9 of 2017 and the PA's Regulatory Strategy to support financial inclusion.

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Insurance and banking sector survey results

The industry engagement sessions held in October were well attended and much interest was shown in the result of the surveys that were conducted.

- The banking survey was on the 'impact of the recent unrest/ looting on the banking system'.

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- The insurance surveys were on business interruption and on the riots survey.

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Market Infrastructure overview

The Prudential Authority continued to embark on initiatives with the purpose of advancing its statutory objectives. This entailed a blend of focused risk reviews, including direct and indirect engagement with market infrastructures; collaboration with other regulatory bodies; and key pieces of work conducted internally with the aim of enhancing prudential outcomes. Operational resilience and outsourcing risk management were the major themes for the 2021 supervisory calendar.

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Prudential Authority Transformation Programme

Work is continuing the Industry Data Taxonomy Project, as well as the Umoja Solution implementation.

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Banking sector directives

In the period between October and December 2021, the following banking sector directives were issued:

D6-2021 – Matters related to the use of credit risk models

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D7-2021 – Withdrawal of the temporary treatment of restructured credit exposures due to the COVID-19 pandemic

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D8-2021 – Withdrawal of the temporary relief measure related to the liquidity coverage ratio

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D9-2021 - Principles for sound management of operational risk

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